

SETTING UP BUSINESS IN MOROCCO



General Aspect

Morocco is situated in the North of Africa, bordering two other countries. Its monetary unit is the Moroccan Dirham (MAD). With about 446,550 square kilometers. The total population is around 34.9 million people. The official languages are Arab and French, but many people, especially in business life, speak English and Spanish as well.

Legal Forms of Business Entities

| Legal form | Feature | Remarks |
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| Representative Office (BR) | Has no commercial activity, but is part of the head office business and its organization. promote of the activity of the parent company. | Suitable for foreign companies looking for a presence in Morocco to initiate future business or maintain contacts with business partners. |
| Status of "auto-entrepreneur (AE) | Set up by a single natural person, who is fully liable for the debts contracted by the firm with his own present and future wealth. The annual turnover has to be less than 200 000 for service or 500 000 for sale of goods. | Suitable for small businesses and start-ups. Special formalities are not required. |
| Sole Proprietorship (PP) | Set up by a single natural person, who is fully liable for the debts contracted by the firm with his own present and future wealth , for the annual more than 200 000 for service or 500 000 for sale of goods | Suitable for small businesses and start-ups. Special formalities are required. |

There are the following partnerships in Morocco law:

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| Limited Liability Company (SARL) | In order to be valid the SARL must be entered into the commercial register, with the signatures of all managing directors, who do not have to be shareholder or Moroccan resident. The minimum share capital of a SARL is MAD 0 000 MAD. At the time of registration 1/4 of the minimum capital has to be verifiably contributed. | The most popular legal form for corporations, with high flexibility and relatively few obligations. |
| Public Limited Company (SA) | The SA comes into existence upon registration in the commercial register, when the application has been signed by the founding shareholders, the members of the supervisory Board and the management board in presence of a notary. The minimum share capital of a SA Is MAD 300,000, At the time of registration 1/4 of the minimum capital has to be verifiably contributed. | Shares can be transferred easily, the SA can be listed publicly on the stock exchange and enjoys a high market reputation. The costs of the founding process are relatively high. The organizational and accounting obligations and the publication requirements are very extensive. |

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| Partnership limited by shares GIE | At least one partner, the general partner, has to be liable for debts and liabilities of the company without limitation. The general partner can also be a corporation with limited liability. The KGaA can have an unlimited number of capital investors (limited shareholders), whose liability is limited on the capital contribution they subscribed. | The partnership limited by shares combines structures of a Public Limited Company and a limited partnership (GIE). |
| Real Estate company (SCI) | In order to be valid the SCI must be entered into the commercial register, with the signatures of all managing directors. The minimum share capital of a SCI is MAD 10000 At the time of registration 1/4 of the minimum capital has to be verifiably contributed. | The creation of a real estate company (SCI) can be a good way to facilitate the management of real estate assets and prepare the transmission. |

Organizational Questions

| Topic | Feature | Remarks |
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| Commercial Register | Companies of all legal forms must be entered in the commercial register, except persons engaged in very small trade businesses (AE), | N.B.: If a company is legally required to be registered, but takes up business operations before being entered in the commercial register, the partners are personally liable for any losses up to the point of registration. This also applies to for a GmbH and an AG! |
| Trade Register Notification | Registration with the local trade office is required for all legal business forms, except freelance professionals. After the trade register notification (Gewerbeanmeldung) the trade office forwards the registration to the tax authorities, the regional association of professional trading associations, and the chamber of industry and commerce or skilled crafts. | Chamber membership is automatic and mandatory. Sometimes a licence or an approval for the business registration is necessary. |
| Bank Account | To open a bank account individuals need a valid passport and a confirmation from the local Public Office stating that Morocco is the current place of residence. Companies need an excerpt from the commercial register and the articles of association of the company. | For account deposits of more than MAD 10,000 cash, banks are required to check the identity of the depositor in order to prevent money laundering. |
| Transfer of Goods and Machinery | Imports to Morocco cause customs, import turnover tax, and in some cases special excise taxes. | There are several customs exemptions to be considered. |
| Transfer of Capital | Capital can be moved in and out of Morocco with an agreement from Office of Exchange. | Amounts must be reported to the Morocco Office of Exchange for agreement. |
| Visa and Residence permit | Most of the foreign citizen need a visa to enter Morocco, but there are several exceptions. | |

Employment

| Topic | Feature | Remarks |
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| Work permit | Citizens of Tunisia or Senegal can work in Morocco without any restrictions. Nationals from all other countries need a work permit to work legally in Morocco, except members of the management board of corporations. | N.B.: If a company is legally required to be registered, but takes up business operations before being entered in the commercial register, the partners are personally liable for any losses up to the point of registration. This also applies to for a GmbH and an AG! |
| Labour law | In Morocco there are detailed employment regulations. A minimum of 18 days of paid holiday is guaranteed. This amount is based on 6 working days per week and added to public holidays. Normal working hours are between 44 hours or 5.5 days per week. Statutory limits on working time are part of extensive health and safety regulations. The notice period for termination of employment depends on seniority of the employee. A special law for protection against unfair dismissal offers great protection for employees. | |
| Social system | The social security system consists of pension insurance (13,40% of gross salary), health insurance (about 6,37%), family allowances (6,40%) and unemployment insurance (0.57%). The social security contributions are shared roughly 75/25 by employer and employee. The accident insurance (about 1%) has to be paid by the employer in total. | For expatriate employee of EU companies exist exemptions of social security contributions. Special documents are required for this exemption. |

Taxation

Companies in Morocco are usually taxed on two levels: On the first level, corporations are subject to corporate income tax, whereas EA and sole proprietorships are subject to personal income tax. Both taxes are levied by government. On the second level, all business operations are subject to the trade tax and municipal taxes, which is imposed by the municipalities, where the company is based.

| Tax | Feature | Remarks |
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| Corporate Income Tax (IS) | e standard corporate income tax rate is a gradual % on all taxable earnings of the corporation, whether retained or distributed profits. However, once profits are distributed to the shareholders, these must pay personal income tax or compensation tax 10 or 15% on the dividends. | Tax base < = 300000 = IS rate 10% > 300000 < 1 000 000 = IS rate 20 < 1 000 000 = IS rate 30% |
| Trade Tax | All commercial business operations, except those of AE, are subject to trade tax with regard to their taxable earnings. The trade tax burden depends on the tax assessment rate which is 3%, and the trade tax collection rate levied by every municipality. The taxable earning, multiplied by the collection rate, gives the trade tax bases amount, which is multiplied by the applicable municipal collection rate. | |

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| Personal Income Tax | The rate of personal income tax starts at 10% for an annual income exceeding the tax-free allowance of 2 4000 MAD. It rises progressively to a maximum personal income tax rate of 38%, which is applicable to earnings of MAD 180.000 or more. | Tax bonuses are granted to persons which are married and/or have children. |
| Personal Income Tax (Dividends) | All dividends, capital interests and speculation gains are subject to the compensation tax with a tax rate of 10 or 15%. | |
| Real Property Tax | Every property owner in morocco is annually liable to real estate tax. The tax rate depends on the category of real estate, the assessed value of the property and the municipal collection rate. | |
| Real Estate Transfer Tax | When domestic real estate changes owner, a one-time real estate transfer tax of about 20% of the profit or 3% of the sale price of the purchase price has to be paid, usually by the Seller. | |
| Value Added Tax (VAT) | The normal VAT rate is 20%, a lower rate of 7% is charged for convenience goods and services needed on a day-to-day basis, such as food, books and newspapers, and 14% for public transport. 10% for banking, lawyer and translator, notary health-care, Some food are VAT-exempt. For certain services rendered by a foreign entrepreneur, the reverse-charge-system has to be applied. | Each entrepreneur can apply for a VAT-Identification-number |



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